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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: GROUP ON PREFERENCES MEETING, DEC. 15-16

1. SUMMARY: DECEMBER 15-16 MEETING OF OECD GROUP ON PREFERENCES FOCUSSED ON EXPLANATION OF US PREFERENCE SCHEME AND ON RELATIONSHIP BETWEEN GSP, MTN AND NORTH-SOUTH DIALOGUE. EXTENSIVE EXCHANGE OF VIEWS ON LATTER ITEMS REVEALED CONSIDERABLE SYMPATHY AMONG NUMBER OF DELS (OTHER THAN US) FOR CONSIDERING GSP RESPONSE TO LDC'S REQUESTS ON TROPICAL PRODUCTS IN MTN, AND WILLINGNESS ON PART OF A FEW, INCLUDING EC, TO CONSIDER COMPENSATING LDC'S FOR "EROSION" OF PREFERENCES, AT LEAST ON A CASE-BY-CASE BASIS. WITH RESPECT TO NORTH-SOUTH DIALOGUE, ALL AGREED MAINTENANCE AND IMPROVEMENT OF GSP SHOULD BE A DC CONTRIBUTION, BUT NO DEL ENVISAGED CHANGE IN BASIC CHARACTERISTICS OF SYSTEM AND THERE WAS CONSIDERABLE FEELING THAT CONTRIBUTION WOULD BE LIMITED ONE AT BEST. SECRETARIAT WILL MAKE ORAL REPORT OF GROUP'S DISCUSSIONS TO DEC. 19 MEETING OF HIGH LEVEL GROUP ON NORTH-SOUTH ECONOMIC RELATIONS. GROUP WAS UNABLE TO AGREE ON DRAFT WRITTEN SUMMARY OF MEETING. BASED ON DISCUSSIONS OF FIRST DRAFT, SECRETARIAT WILL CIRCULATE REVISED DRAFT FOR FURTHER COMMENT AND ULTIMATE SUBMISSION TO TRADE COMMITTEE. DATE FOR NEXT MEETING OF GROUP ON PREFERENCES WAS LEFT OPEN. END SUMMARY

2. ROLE OF GSP IN NORTH-SOUTH DIALOGUE: GENERAL CONSENSUS OF DELS WAS THAT WHILE MAINTENANCE AND IMPROVEMENT OF GSP SHOULD BE ONE OF DC CONTRIBUTIONS TO DIALOGUE, BASIC TEMPORARY AND NON-CONTRACTUAL NATURE OF SYSTEM SHOULD NOT BE CHANGED, AND THAT INCREASED UTILIZATION OF EXISTING SCHEMES WOULD BE LOGICAL STEP ON ROAD TO "IMPROVEMENT" OBJECTIVE. SOME DELS EXPRESSED LIMITED OFFICIAL USE

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WILLINGNESS TO EXPAND COVERAGE EVEN PRIOR TO IMPROVEMENT OF UTILIZATION. CANADA AND SWEDEN SAID CONSIDERATION OF COMMITMENT TO EXTEND BEYOND 10 YEARS WAS PREMATURE, WHILE EC HAS ALREADY DECIDED TO DO SO. EC COMMISSION REP'S (TRAN) INTERVENTIONS ON SUBJECT OF IMPROVEMENT WERE NOTABLE FOR THEIR CAUTION, AS HE URGED RECOGNITION OF LIMITATIONS TO BENEFITS LDC'S DERIVE FROM GSP AND TO POTENTIAL FOR IMPROVEMENT IN EXISTING SCHEMES, PARTICU-

LARLY IN CURRENT ECONOMIC SITUATION. TRAN SUGGESTED REPEATEDLY THAT MAIN POSSIBILITY FOR IMPROVEMENT WAS TO DIFFERENTIATE BETWEEN MORE AND LESS NEEDY BENEFICIARY COUNTRIES, PROVIDING ADDITIONAL BENEFITS PRIMARILY TO FORMER CATEGORY. SEVERAL DELS (SWITZERLAND, SWEDEN AND CANADA) SAID THEY WERE WILLING TO DISCUSS DIFFERENTIATION ALTHOUGH THEY COULD NOT SUBSCRIBE TO IT AT THIS TIME.

3. GSP/MTN RELATIONSHIP: GROUP'S DISCUSSION FOCUSED ON EROSION QUESTION AND RELATIONSHIP OF GSP TO ACTION ON TROPICAL PRODUCTS. IN LATTER RESPECT NUMBER OF DELS (SWEDEN, AUSTRIA, FINLAND, CANADA' EC, SWITZERLAND) INDICATED THEY WERE CONSIDERING USE OF GSP IN RESPONSE TO LDC REQUESTS AS THEIR MAIN CONTRIBUTION. US DEL (AHMAD) STATED US DISMAYED BY CONSIDERATION OTHERS WERE GIVING TO MIXING GSP INTO TROPICAL PRODUCTS NEGOTIATIONS, WHERE US HOPED TO ENGAGE LDC'S IN NEGOTIATING PROCESS. US DEL, NOTING THAT GSP WAS NON-NEGOTIABLE, SAID US OFFERS WOULD BE SOLELY ON MFN BASIS AND BINDING. ON EROSION QUESTION, US, CANADA, SWEDEN, AUSTRALIA, ALL TOOK STRONG STAND AGAINST ALLOWING EROSION ARGUMENT TO

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IMPEDE PROGRESS OF MFN REDUCTIONS AND AGAINST IDEA THAT DC'S HAD OBLIGATION TO COMPENSATE LDC'S FOR EROSION. SWITZERLAND AND EC COMMISSION AGREED IN PRINCIPLE, BUT ARGUED THAT EROSION PROBLEM WAS REAL AND HAD TO BE TAKEN INTO ACCOUNT. SWISS SAID THEY WOULD DO THIS WITHIN GSP FRAMEWORK, WHILE EC SAID MORE GENERALLY THEY MIGHT TRY TO TAKE EROSION INTO ACCOUNT ON A CASE-BY-CASE BASIS FOR POOREST LDC'S, WHICH IN THEIR VIEW WERE THE ONES MOST SERIOUSLY AFFECTED BY EROSION PROBLEM.

4. US SYSTEM OF PREFERENCES: US DEL MADE EXPOSITION OF KEY FEATURES OF US SYSTEM, SCHEDULED IMPLEMENTATION OF WHICH WAS WELCOMED BY GROUP. IN RELATIVELY LIMITED QUESTIONING BY OTHER DELS, FRG AND SWITZERLAND RAISED ISSUE OF WHETHER US WAS USING GSP AS NEGOTIATING TOOL, GIVEN VARIOUS REQUIREMENTS MADE ON BENEFICIARIES WITH

SPECIFIC REFERENCE TO REVERSE PREFERENCES AND OPEC EXCLUSION. EC COMMISSION REP EXPRESSED CONSIDERABLE ADMIRATION FOR COMPETITIVE NEED MECHANISM TO ASSIST LESS DEVELOPED BENEFICIARIES. HE ALSO EXPRESSED WISH FOR NEGATIVE LIST FOR US SYSTEM, WHICH HE WANTED BECAUSE OF CONCERNS OF EC EXPORTERS REGARDING LDC COMPETITION IN US MARKET. IN SIDE TALK WITH US DEL., GREEK REP (TZITZIS OF PERMANENT DELEGATION) INQUIRED WHETHER POSSIBILITY OF BENEFICIARY STATUS FOR GREECE UNDER US GSP ENDED WITH JANUARY 1 DEADLINE, WHICH HE STATED CLEARLY COULD NOT BE MET. US DEL ASSURED HIM THAT CONSULTATIONS COULD BE HELD ANY TIME ON BASIS OF US NOTE AND PRODUCT LIST, AND IF SUBSTANCE OF US REQUIREMENTS THEREIN WERE MET GREECE COULD BE ADDED TO BENEFICIARIES. GREEK REP EXPRESSED SOME DOUBT THAT THIS WOULD BE POSSIBLE IN VIEW OF GOC INTENTION TO ADOPT COMMON EXTERNAL TARIFF, BUT THOUGHT TIMING MIGHT BE SIGNIFICANT LIMITED OFFICIAL USE

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FACTOR.

5. DEVELOPMENTS IN OTHER SYSTEMS: SEVERAL DELS TOLD GROUP OF MINOR CHANGES IN THEIR PREFERENCE SYSTEMS. JAPAN NOTED VALUE OF IMPORTS UNDER ITS SYSTEM IN 1974 WAS \$1.3 BILLION, UP FROM \$362 MILLION IN 1972. EC COMMISSION REP MADE LENGTHY EXPOSITION OF TRADE FLOWS AND UTILIZATION RATES UNDER EC SYSTEM WHICH HE PROMISED TO SUBMIT IN WRITING. TRAN SAID THE MAIN SCOPE FOR FURTHER IMPROVEMENT IN THE EC SYSTEM WAS TO DO SOMETHING MORE FOR THE POOREST BENEFICIARIES.

6. GSP ANALYSIS PROJECT: GROUP AGREED TO LEAVE IT TO SECRETARIAT TO PROPOSE ANALYTICAL SCHEME BASED ON SUGGESTIONS MADE BY VARIOUS DELS. SWEDEN PLACED EMPHASIS ON BURDEN SHARING, WHILE SWITZERLAND SAW GOAL OF EXERCISE AS CCNCRETE PROPOSALS FOR IMPROVEMENT OF SYSTEMS. US DEL SAID US GAVE FIRST PRIORITY TO ANALYSIS OF TRADE FLOWS AND MARGINS OF PREFERENCE, AND URGED OTHERS TO PROVIDE DATA COMPARABLE TO THAT WHICH US WOULD HAVE AVAILABLE BEGINNING SPRING OF 1976. US REP ALSO NOTED THAT STUDIES OF PARTICULAR PRODUCTS AND COUNTRIES SHOULD BE LIMITED TO THOSE COMMON TO ALL PREFERENCE SYSTEMS. EC REP WARNED AGAINST ATTEMPT TO EVALUATE BURDEN SHARING MATHEMATICALLY, SUGGESTING GROSS FIGURES OF TRADE FLOWS UNDER SYSTEM WERE SUFFICIENT TO ILLUSTRATE BURDEN SHARING IN POLITICAL SENSE. CANADA SAID ANY ANALYSIS WOULD NEED TO TAKE LARGE EXTENT OF MFN DUTY FREE TREATMENT OF LDC EXPORTS BY SOME COUNTRIES INTO ACCOUNT.

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7. RULES OF ORIGIN: GROUP AGREED TO SUPPLY INFORMATION NEEDED BY SECRETARIAT TO COMPLETE DRAFT UNCTAD NOTIFICATION IN AREAS SUCH AS DONOR COUNTRY CONTENT, CUMULATIVE ORIGIN, AND REVISIONS TO FORM A. SECRETARIAT WILL REDRAFT TEXT BY EARLY FEBRUARY AND GROUP OF EXPERTS WILL MEET AT THE END OF FEBRUARY OR BEGINNING OF MARCH.

8. PREPARATION FOR UNCTAD PREFERENCES MEETING: IN VIEW OF LACK OF DOCUMENTATION AND INFORMATION ON LIKELY FOCUS OF MEETING, GROUP AGREED IT WAS PREMATURE TO DISCUSS PREPARATIONS AT THIS TIME. GROUP B COORDINATION WILL TAKE PLACE DURING JAN. 5-16 SESSION IN GENEVA.

9. AT END OF MEETING GROUP TOOK UP SECRETARIAT'S DRAFT SUMMARY OF EARLIER DISCUSSION ON GSP/MTN/DIALOGUE RELATIONSHIPS. LENGTHY DEBATE OF THIS DRAFT REVEALED SUBSTANTIAL DIFFERENCES AMONG DELS ON WHAT COULD BE STATED IN WRITTEN REPORT BEYOND DIVERGENCES OF VIEW ON SUBSTANCE WHICH HAD EMERGED IN DISCUSSION. FOR EXAMPLE, ALL DELS AGREED IN DISCUSSION THAT PRIME GOAL OF MTN WAS MAXIMUM LIBERALIZATION AND THAT PREVENTION OF EROSION OF GSP MARGINS SHOULD NOT STAND IN WAY. NEVERTHELESS EC AND SOME OTHER DELS WISHED TO ELIMINATE ANY MENTION OF THIS AND OTHER MTN DISCUSSIONS. BASED ON DEBATE OVER DRAFT, SECRETARIAT WILL PREPARE REVISED VERSION OF SUMMARY OF DISCUSSION ON THIS SUBJECT AND CIRCULATE FOR COMMENTS. FINAL REPORT WILL BE SUBMITTED TO NEXT MEETING OF TRADE COMMITTEE.

10. NEXT MEETING: DATE OF NEXT MEETING OF GROUP ON PREFERENCES WAS LEFT OPEN PENDING RESULTS OF UNCTAD PREFERENCE COMMITTEE AND OECD TRADE COMMITTEE.
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Message Attributes

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